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C O N F I D E N T I A L VILNIUS 000275

DOC FOR ITA: JDERSTINE AND PNUGENT
DOE: MAPICELLI

E.O. 12958: DECL: 05/18/2019
TAGS: [ENRG](#) [ECON](#) [LH](#)
SUBJECT: AMBITIOUS TIMELINE BY GOL FOR LITHUANIA'S NEW
NUCLEAR PLANT

REF: A. BRUSSELS 311
[U](#)B. VILNIUS 143

Classified By: Ambassador John A. Cloud for reasons 1.4 (b) and (d).

SUMMARY

[U](#)1. (C) On April 22 the GOL issued a decree that includes the ambitious goal of choosing reactor technology for the new Visaginas nuclear power plant by the end of June 2010. Although the General Director of the firm charged with completing this work, Visagino Atomine Elektrine (VAE), expressed some misgivings regarding the feasibility of this timeline, the Minister of Energy as well as VAE's parent company, LEO LT, said they will meet this deadline. In a non-public tender that appears to be legal, LEO and the GOL are proceeding with selecting a consultant for the project. How to finance the plant has yet to be decided. Nonetheless, GE and Westinghouse are being considered as reactor vendors by the GOL. We will continue to do our utmost to make sure the playing field is level for U.S. firms vying for this multi-billion dollar contract. End Summary.

RAMPING UP?

[U](#)2. (U) An April 22 government decree includes a timeline for key decisions in the project to build a replacement for the Ignalina Nuclear Power Plant (INPP). The decree's steps, listed below, in some cases have overlapping time lines. At this point, only LEO LT is considered a participating company.

Step 1 - Select a consultant to determine a business and financing model
Date: May 2009
Responsibility: Energy Ministry and participating companies

Step 2 - Develop a business model and project financing plan
Date: July - September 2009
Responsibility: Energy Ministry and participating companies

Step 3 - Develop a GOL negotiating position for the project, including responsibility in the event of an accident, disposal of waste, reserve capacity, etc.
Date: August - September 2009
Responsibility: Energy Ministry, MFA, and participating companies

Step 4 - Decisions on project implementation: end of environmental assessment phase, site planning, develop GOL position on share of foreign capital in the project, etc.
Date: September - November 2009
Responsibility: Energy Ministry, Environment Ministry, and participating companies

Step 5 - Select a strategic investor and start negotiations with strategic partners
Date: October 2009 through end of March 2010

Responsibility: Energy Ministry and participating companies

Step 6 - Preparation and approval of GOL action plan for project implementation including bilateral & international agreements, obligatory reports, assessment of legal basis of project and preparation of any necessary legislation

Date: May 2009 - January 2010

Responsibility: Energy Ministry, MFA, and Ministry of Justice

Step 7 - Preparation of documentation for technology purchase and initiation of technology purchase process

Date: January - June 2010

Responsibility: Energy Ministry and participating companies

13. (C) With embassy support and participation, GE and Westinghouse representatives met with GOL and LEO officials on April 21 and 22 in Vilnius. Marius Grinevicius, the General Director of VAE, the LEO daughter firm charged with planning and building Visaginas, told us the timeline in the GOL decree would be difficult to achieve. But when Westinghouse questioned the Minister of Energy, Arvydas Sekmokas, about the timeline for technology bids, he confirmed that he would push for 2010 with construction of the first reactor by 2018. Sekmokas added that he would allow slippage to 2019 or 2020, but not any longer. Sarunas Vasiliauskas, a member of the new LEO board and Strategic Projects Director, echoed Sekmokas when he said that LEO is still targeting 2018. Westinghouse told interlocutors that if the GOL would want a Westinghouse reactor to be ready for operation in 2018, it would need a commitment by the end of 2010.

14. (C) In its meeting with LEO, GE emphasized that potential strategic investors, i.e., large Western utilities, are likely to perceive that the three Baltic countries and Poland are still disputing who will get what share of the power from the Visaginas plant. This may cause them to shy away from bidding on the project. GE encouraged LEO officials to separate the political goal of energy independence from the business model of building a nuclear power plant. The argument appeared to resonate.

QUICK AND HOPEFULLY FAIR

15. (C) Sarunas Vasiliauskas told us May 5 that the selection of a consultant, the first step in the decree timeline, was proceeding without a public call for bids. Vasiliauskas said this was possible because the GOL's April 22 directive creates an extreme urgency that LEO cannot control, i.e., the requirement to choose a consulting firm by the end of May 2009. According to Lithuanian procurement law, which theoretically is compliant with EU law, an extreme urgency that cannot be attributed to the contracting authority (LEO), allows a contract to be awarded without prior publication of a contract notice. Vasiliauskas declined to provide a list of the companies being considered as consultants but promised that they have "deep expertise in the nuclear area" and that more than one U.S. firm has been invited to bid on the contract.

U.S. FIRMS' CHANCES

16. (C) Sekmokas bluntly told the Westinghouse representatives at the beginning of their meeting that he favored their technology. Vasiliauskas also told them that he was advocating for their technology. In his meeting with GE, Sekmokas asked just a few questions. GE had received high marks from the previous Lithuanian Government for their ability to construct a plant on a timely basis. This requirement will remain key for the GOL. Nonetheless, both GE and Westinghouse maintain regular contact with VAE both via the Embassy and otherwise.

17. (C) Grinevicius said a decision will be made in July by LEO regarding the maximum size of an individual reactor that the Lithuanian electrical grid can accept. He expects this

will be 1300 MW. The maximum capacity of the plant according to the Environmental Impact Assessment (EIA) is 3200 MW - 3400 MW depending on whether cooling towers are constructed. (Note: GE and Westinghouse do not see these limits as being of concern, as the reactors they are offering produce approximately 1300 and 1000 MW, respectively.)

COMMENT

[18](#). (C) The current government, in office since December, has expressed its frustration with the slow pace of this project under the previous government. Although its determination to step things up is admirable, it will have a hard time meeting its own deadlines. In addition to not having a plan yet for financing the plant, the timeline practically ignores the critical, but thorny, negotiations to come with partners Estonia, Latvia, and Poland. We will continue to closely monitor the process and advocate for transparency.

CLOUD